

WIND ON THE WIRES: Responses to Questions posted to Michigan Energy Forum Website

19. How has Michigan, and how have other jurisdictions, applied energy mandates in situations where an existing provider has excess capacity prior to the mandate?

A. Given that the utilities have an excess of RECs, it is unclear to us whether the question relates to excess generating capacity or excess renewable energy resource capacity. Therefore, we will address both interpretations.

If the question is '*why should Michigan implement an RES when it has excess generating capacity?*', the short answer is that we know that fossil fuel generation poses a certain level of harm to the environment, there is only a certain volume of available fossil fuels to be consumed, costs of fossil fuel will continue to increase and fuel costs will likely change over the next 80 years. Therefore, Michigan needs to take a long term look at what its electricity generation portfolio should be for this century. Increasing the percentage of renewable energy capacity in its portfolio provides diversity -- which acts as a price hedge against fossil-fuel price volatility, it reduces the pollutants that cause adverse public health issues, it can create new opportunities for new businesses within Michigan and it extends the usable life of fossil fuels. Moreover, utilities are unlikely to change their business-as-usual activities without a strong message from the public, and guidance and assurance from legislators. Establishing an RES that provides certainty and stability in what electric service providers will be required to do helps that provider and their shareholders identify its risk exposure.

If the question is '*why should Michigan implement an RES when it has excess renewable energy resource capacity?*', the legislators should consider what renewable resources Michigan has to offer and the potential capacity of those resources, the potential costs of those resources, the potential benefits and detriments of those resources and how to cost effectively integrate the appropriate amount of renewable energy sources. There are numerous ways of structuring the renewable energy standard with respect to existing RECs or existing renewable energy sources, including – only use energy from resources built or placed into service after a stated date (MI, ME, DC, NC, OR, NH, CA, MA, NY, WA, MT, IA, AZ), set a cap on the amount of existing renewable resources that can be used (TX, DE), only allow certain types of existing generation to be used, only allow hydropower if the dam was repaired or replaced after a set date (MI, OR, TX), limit the use of existing resources to those within the state (NJ) or existing facilities under a certain size (NH). The limitation should be structured on the policy you're looking to foster. If Michigan is looking to grow a clean energy supply chain of businesses within the state, then it should require the use of new resources.

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